

Message Text

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ACTION NEA-10

INFO OCT-01 AF-10 ARA-14 EUR-12 EA-12 ISO-00 SOE-02
AID-05 CEA-01 CIAE-00 COME-00 DODE-00 EB-08
DOE-11 H-02 INR-10 INT-05 L-03 NSAE-00 NSC-05
OMB-01 PM-05 USIA-15 OES-07 SP-02 SS-15 STR-07
TRSE-00 ACDA-12 XMB-04 /179 W
-----057068 191657Z /40

R 191145Z MAR 78
FM AMEMBASSY TEHRAN
TO SECSTATE WASHDC 7477
INFO AMEMBASSY ABU DHABI
AMEMBASSY ALGIERS
USINT BAGHDAD
AMEMBASSY BONN
AMEMBASSY CARACAS
AMEMBASSY DOHA
AMEMBASSY JAKARTA
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY LAGOS
AMEMBASSY LONDON
AMEMBASSY QUITO
AMEMBASSY TOKYO
AMEMBASSY TRIPOLI
AMEMBASSY VIENNA
AMCONSUL DHAHRAN

UNCLAS TEHRAN 02717

E.O. 11652: N/A
TAGS: EFIN, ENRG, IR
SUBJ: GOI MAINTAINS MODERATE STANCE ON OIL PRICING

REF: TEHRAN 2448

1. THE SHAH AND HIS MINISTER OF INFORMATION AND TOURISM,
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DARIUSH HOMAYOUN, IN PRESS CONFERENCES ON MARCH 18 AND 16,
RESPECTIVELY, ADDRESSED THE ISSUES OF OIL PRICING AND THE
EFFECT OF RECENT DOLLAR DEVALUATIONS; AND BOTH ATTEMPTED TO
POUR OIL ON THE TROUBLED WATERS OF INTERNATIONAL CURRENCY
MARKETS.

2. HOMAYOUN IS REPORTED TO HAVE SAID THAT IRAN WILL NOT

SWITCH FROM THE DOLLAR TO SDR'S AS THE MECHANISM FOR PRICING OIL. HE ALSO SAID THAT "IRAN IS ACTUALLY ONE OF THE COUNTRIES LEST AFFECTED BY THE DOLLAR DECLINE SINCE A GREAT AMOUNT OF OUR FOREIGN SPENDING IS IN THE AMERICAN MARKET." (COMMENT: HOMAYOUN IS REFERRING NOT ONLY TO PURCHASES OF U.S. GOODS AND SERVICES BUT ALSO TO THE IMPORTANCE OF DOLLAR DENOMINATED PURCHASES FROM COUNTRIES OTHER THAN THE U.S.) THE MINISTER ALSO REITERATED THAT THERE WILL BE NO CHANGE IN IRAN'S COMMITMENT AGAINST AN OIL PRICE HIKE PRIOR TO 1979.

3. THE SHAH'S PUBLIC REMARKS REGARDING THE EFFECTS OF THE DECLINING REAL VALUE OF IRAN'S OIL EXPORTS AND THE POSSIBILITY OF AN OIL PRICE INCREASE THIS YEAR WERE LESS CATEGORICAL THAN THOSE OF HOMAYOUN. HOWEVER, THE SHAH DID REPEAT THE OBSERVATION THAT THE IMPACT ON IRAN OF THE DOLLAR DECLINE IS AMELIORATED BY IRAN'S HEAVY RELIANCE ON THE U.S. AS A SUPPLIER. THE SHAH'S BASIC MESSAGE WAS THAT THE ISSUES OF OIL PRICES AND THE APPROPRIATE PRICING MECHANISM WERE COMPLEX MATTERS THAT ARE INTER-RELATED WITH A HOST OF OTHER ISSUES, AND THAT NO READY ANSWERS CAN BE GIVEN NOW. WHILE THE SHAH AGREED THAT OPEC COULD AT ITS NEXT SESSION REVERSE ITS DECISION TO FREEZE OIL PRICES IF THE DOLLAR CONTINUES TO DECLINE, HE SUGGESTED THAT THE DECLINE EXPERIENCED TO DATE IS NOT ENOUGH TO WARRANT ABANDONMENT OF THE FREEZE.

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